

NEWS RELEASE

For Release --

The audit report of Laurens Municipal Light and Power Plant for the year ended December 31, 2004 has been released. This report was issued by Hunzelman, Putzier & Co., PLC, C.P.A.'s and filed with David A. Vaudt, Auditor of State.

A copy of the audit report is available for review in the office of the Auditor of State and the Superintendent's office.

LAURENS MUNICIPAL LIGHT AND POWER PLANT

INDEPENDENT AUDITOR'S REPORTS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

DECEMBER 31, 2004

LAURENS MUNICIPAL LIGHT AND POWER PLANT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2004

LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

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LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert O. Braesch	Trustee	April, 2005
Steve Christensen	Trustee	April, 2007
Brad Olsen	Trustee	April, 2009

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Light and Power Plant, a component unit of City of Laurens, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Light and Power Plant as of December 31, 2004 and 2003, and the changes in its financial position and the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 18, Laurens Municipal Light and Power Plant adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2005 on our consideration of Laurens Municipal Light and Power Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

April 21, 2005

Hungelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens Municipal Light and Power Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended December 31, 2004. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Utility's operating revenues increased 22%, or \$316,190, from 2003 to 2004.
- The Utility's operating expenses were 4%, or \$70,231, more in 2004 than in 2003.
- The Utility's net assets decreased 2%, or \$125,190, from December 31, 2003 to December 31, 2004.

USING THIS ANNUAL REPORT

Laurens Municipal Light and Power Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Light and Power Plant's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.
- The Statements of Net Assets presents information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows presents the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE UTILITY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2004 totaled approximately \$5,530,000. This compares to approximately \$5,660,000 for 2003. A summary of the Utility's net assets is presented below.

	<u>Net Assets</u>	
	<u>2004</u>	<u>2003</u>
Current assets	\$2,495,449	\$2,982,817
Other assets	1,190,859	1,128,497
Capital assets at cost, less accumulated depreciation	<u>4,050,821</u>	<u>4,018,448</u>
Total assets	<u>7,737,129</u>	<u>8,129,762</u>
Current liabilities	408,699	504,322
Non-current liabilities	<u>1,798,391</u>	<u>1,970,211</u>
Total liabilities	<u>2,207,090</u>	<u>2,474,533</u>
Net assets:		
Invested in capital assets, net of related debt	2,077,430	1,883,237
Restricted	395,894	395,679
Unrestricted	<u>3,056,715</u>	<u>3,376,313</u>
Total net assets	<u>\$5,530,039</u>	<u>\$5,655,229</u>

The largest portion of the Utility's net assets (55%) are unrestricted that can be used to meet the Utility's obligations as they come due. The invested in capital assets (38%, e.g., land, buildings, and equipment), less the related debt are resources allocated to capital assets. The restricted net assets (7%) represent resources that are subject to restrictions as required by the electric revenue bond resolution.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for the sale of electrical energy. Operating expenses are expenses paid to operate the Utility. Non-operating revenues and expenses are primarily for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended December 31, 2004 is presented below:

	<u>Changes in Net Assets</u>	
	<u>2004</u>	<u>2003</u>
Operating revenues:		
Sales of electrical energy	\$1,604,538	\$1,281,411
Other operating revenues	<u>135,934</u>	<u>142,871</u>
	<u>1,740,472</u>	<u>1,424,282</u>
Operating expenses:		
Cost of power	1,034,351	965,573
Depreciation and amortization	364,738	359,727
Administrative and general expense	194,716	201,411
Transmission expense	51,490	47,647
Distribution expenses - maintenance	47,456	35,955
Distribution expenses - operations	52,202	56,203
Taxes	38,325	42,717
Customers' accounts expense	<u>5,562</u>	<u>9,376</u>
Total operating expenses	<u>1,788,840</u>	<u>1,718,609</u>
Operating loss	(48,368)	(294,327)
Non-operating revenue and expense:		
Revenues from merchandising	14,987	10,532
Costs of merchandising	<u>9,922</u>	<u>6,403</u>
Gross profit	5,065	4,129
Interest earned on investments	93,800	108,216
Amortization of bond issue costs	(2,406)	(2,406)
Interest expense	(103,708)	(111,155)
Deferred patronage allocation	-	2,555
Gain (loss) on disposition of assets	<u>1,500</u>	<u>2,121</u>
Non-operating income (loss)	<u>(5,749)</u>	<u>3,460</u>
Decrease in net assets	(54,117)	(290,867)
Net assets, beginning of year	5,655,229	6,004,023
Less: Residual equity transfer to City - park funding	(50,000)	(50,000)
Residual equity transfer to City - donation	<u>(21,073)</u>	<u>(7,927)</u>
Net assets, end of year	<u>\$5,530,039</u>	<u>\$5,655,229</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the year.

The Utility's operating revenues increased 22%, or \$316,190, from 2003 to 2004 because we raised electric rates as of January 15, 2004. The Utility also started selling power to the City of Marathon on January 1, 2004.

The Utility's operating expenses increased 4%, or \$70,231, from 2003 to 2004 mainly because of the increase in the cost of power.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase and construction of utility plant. Cash used by investing activities includes purchase and sale of certificates of deposits and interest income.

CAPITAL ASSETS

At December 31, 2004, the Utility had approximately \$4,050,000 invested in capital assets, net of accumulated depreciation of approximately \$4,730,000. Depreciation charges totaled \$359,895 for 2004. More detailed information about the Utility's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At December 31, 2004, the Utility had \$1,990,000 in debt outstanding, a decrease of \$165,000 from 2003. The table below summarizes outstanding debt by type.

	<u>2004</u>	<u>2003</u>
Electric revenue bonds	<u>\$1,990,000</u>	<u>\$2,155,000</u>

Additional information about the Utility's long-term debt is presented in Note 12 to the financial statements.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.

The Utility is experiencing both commercial and residential growth. Jack Links has purchased and is renovating the Fleming properties. The Fleming properties used to be our largest electrical load. Jack Links plans on being operational by July 1, 2005. Residents continue to covert from gas to electric services each year.

The cost of power continues to increase. Western Area Power Administration has announced a rate increase of approximately 20% scheduled for 2006. North Iowa Municipal Electric Cooperative Association (NIMECA) is operating under a new joint dispatch agreement which means we are buying and selling power on the open market. In 2004, NIMECA was a net purchaser.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004 AND 2003

Exhibit A

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>UTILITY PLANT</u>			
Utility plant in service (Note 3)		\$8,567,793	\$8,364,735
Construction in progress		<u>216,638</u>	<u>50,589</u>
		8,784,431	8,415,324
Less accumulated depreciation		<u>4,733,610</u>	<u>4,396,876</u>
Total net utility plant		<u>4,050,821</u>	<u>4,018,448</u>
<u>OTHER ASSETS</u>			
Plant acquisition costs - net of amortization of \$77,503 in 2004 and \$72,659 in 2003		35,360	40,204
Notes receivable - noncurrent portion (Note 10)		183,653	190,238
Common transmission system - capital improvement fund (Note 5)		225,690	273,969
Generation reserve fund (Note 6)		200,000	-
Distribution replacement reserve (Note 7)		-	202,024
Contingency, depreciation, and extension fund (Note 4)		400,000	-
Bond reserve fund (Note 8)		-	273,500
Bond issuance costs - net of amortization of \$15,640 in 2004 and \$13,234 in 2003		23,860	26,266
Bond improvement fund (Note 12)		100,000	100,000
Deferred patronage refund receivable		<u>22,296</u>	<u>22,296</u>
Total other assets		<u>1,190,859</u>	<u>1,128,497</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents (Note 11)		97,668	-
Notes receivable - current portion (Note 10)		6,104	88,787
Generation reserve fund (Note 6)		900,643	1,101,738
Distribution replacement reserve (Note 7)		707,596	500,874
Communication distribution reserve (Note 9)		-	300,000
Contingency, depreciation, and extension fund (Note 4)		-	550,000
Bond reserve fund (Note 8)		273,500	-
Bond retirement sinking fund		22,394	22,179
Joint use contract receivable (Note 17)		130,000	130,000
Accounts receivable (less provision for doubtful accounts of \$8,400 in 2004 and \$7,800 in 2003)		227,767	165,971
Inventories		68,299	73,117
Prepaid expenses		28,540	25,053
Accrued interest receivable		<u>26,771</u>	<u>25,098</u>
Total current assets		<u>2,489,282</u>	<u>2,982,817</u>
<u>DEFERRED DEBITS</u>			
		<u>6,167</u>	<u>-</u>
Total assets		<u>\$7,737,129</u>	<u>\$8,129,762</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004 AND 2003

Exhibit A
(Continued)

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
<u>LONG-TERM DEBT, LESS CURRENT MATURITIES</u>		
Electric revenue bonds - net of unamortized discount of \$16,609 in 2004 and \$19,789 in 2003 (Note 12)	<u>\$1,798,391</u>	<u>\$1,970,211</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>		
Current maturities of revenue bonds (Note 12)	175,000	165,000
Outstanding checks in excess of bank balance	-	32,658
Accounts payable	158,159	224,516
Customer deposits	12,768	12,381
Other current and accrued liabilities	<u>62,772</u>	<u>69,767</u>
Total current and accrued liabilities	<u>408,699</u>	<u>504,322</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,077,430	1,883,237
Restricted (Note 13)	395,894	395,679
Unrestricted	<u>3,056,715</u>	<u>3,376,313</u>
Total net assets	<u>5,530,039</u>	<u>5,655,229</u>
Total liabilities and net assets	<u>\$7,737,129</u>	<u>\$8,129,762</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Exhibit B

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUES</u>	<u>\$1,740,472</u>	<u>\$1,424,282</u>
<u>OPERATING EXPENSES</u>		
Cost of power	1,034,351	965,573
Depreciation and amortization	364,739	359,727
Administrative and general expense	194,715	201,411
Transmission expense	51,490	47,647
Distribution expenses - maintenance	47,456	35,955
Distribution expenses - operations	52,202	56,203
Taxes	38,325	42,717
Customers' accounts expense	<u>5,562</u>	<u>9,376</u>
Total operating expenses	<u>1,788,840</u>	<u>1,718,609</u>
Loss from operations	(48,368)	(294,327)
<u>NON-OPERATING REVENUE AND EXPENSE</u>		
Revenues from merchandising	14,987	10,532
Costs of merchandising	<u>9,922</u>	<u>6,403</u>
Gross profit	5,065	4,129
Interest earned on investments	93,800	108,216
Amortization of bond issue costs	(2,406)	(2,406)
Interest expense	(103,708)	(111,155)
Deferred patronage allocations	-	2,555
Gain on disposition of assets	<u>1,500</u>	<u>2,121</u>
Non-operating income (loss)	<u>(5,749)</u>	<u>3,460</u>
Change in net assets	(54,117)	(290,867)
Net assets, beginning of year	5,655,229	6,004,023
Less: Residual equity transfer to City - park funding	(50,000)	(50,000)
Residual equity transfer to City - donation	<u>(21,073)</u>	<u>(7,927)</u>
Net assets, end of year	<u>\$5,530,039</u>	<u>\$5,655,229</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Exhibit C

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$1,678,463	\$ 1,422,360
Cash paid to suppliers and employees	<u>(1,403,477)</u>	<u>(1,353,165)</u>
Net cash provided by operating activities	<u>274,986</u>	<u>69,195</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Net borrowing of outstanding checks in excess of bank balance	-	32,658
Net repayment of outstanding checks in excess of bank balance	(32,658)	-
Payments to city	<u>(71,073)</u>	<u>(7,927)</u>
Net cash provided by (used in) non-capital financing activities	<u>(103,731)</u>	<u>24,731</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of utility plant	(375,838)	(135,912)
Principal paid on bonds	(165,000)	(160,000)
Interest paid on bonds	<u>(101,147)</u>	<u>(108,348)</u>
Net cash used in capital and related financing activities	<u>(641,985)</u>	<u>(404,260)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investments matured or sold	2,651,340	2,278,609
Purchase of investments	(2,156,664)	(2,065,237)
Collections on notes receivable	89,268	-
Issuance of notes receivable	(112,523)	(166,502)
Sale of resale merchandise	14,987	10,532
Purchase of resale merchandise	(9,922)	(6,403)
Interest received	92,127	124,381
Patronage dividends received	-	1,724
Sale (purchase) of restricted cash	<u>(215)</u>	<u>183</u>
Net cash provided by investing activities	<u>568,398</u>	<u>177,287</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	97,668	(133,047)
Cash and cash equivalents at beginning of year	<u>-</u>	<u>133,047</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 97,668</u>	<u>\$ -</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Exhibit C
(Continued)

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING LOSS TO CASH</u>		
<u>PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (48,368)	\$ (294,327)
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	364,739	359,727
Provisions for bad debts	600	3,927
Changes in assets and liabilities:		
Increase in accounts receivable	(62,396)	(3,372)
Decrease (increase) in inventory	4,818	(2,932)
Increase in prepaid expenses	(3,487)	(256)
Decrease (increase) in deferred debits	(6,167)	1,134
Increase in accounts payable	31,236	436
Increase (decrease) in other liabilities	<u>(5,989)</u>	<u>4,858</u>
Total adjustments	<u>323,354</u>	<u>363,522</u>
Net cash provided by operating activities	<u>\$ 274,986</u>	<u>\$ 69,195</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Light and Power Plant is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Light and Power Plant generates and distributes electric energy to consumers in Laurens, Iowa. Sales of electricity are billed on the twenty-fifth of each month for usage through the fifteenth of the month. As has been done in prior years, an unbilled receivable in the amount of \$70,703 has been recorded (\$41,671 at December 31, 2003) for the period December 15 through December 31. Laurens Municipal Light and Power Plant is billed by their suppliers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standard Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Light and Power Plant has included all funds, organizations, agencies, boards, commissions, and authorities. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Utility. Laurens Municipal Light and Power Plant has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Light and Power Plant are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting - (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are stated at the lower of cost or replacement value. Cost is determined on a weighted average method.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of utility plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the General Plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Amortization - The cost of acquiring a portion of the common transmission system is being amortized over the remaining useful life of the assets.

Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight-line method over the term of the bonds. Amortization charged to expense in 2004 and 2003 was \$2,406.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2004.

Budgets and Budgetary Accounting - The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a comparison of revenues, expenses, and changes in net assets - actual to budget:

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Use of money and property	\$ 93,800	\$ 101,000	\$ 95,000	\$ (1,200)
Charges for services	1,609,796	1,611,000	1,574,000	35,796
Miscellaneous	<u>147,163</u>	<u>149,000</u>	<u>162,000</u>	<u>(14,837)</u>
	1,850,759	1,861,000	1,831,000	19,759
Expenses	<u>1,904,876</u>	<u>1,846,000</u>	<u>1,910,000</u>	<u>5,124</u>
Net	(54,117)	15,000	(79,000)	24,883
Net assets, beginning of year	5,655,229	5,725,023	5,725,023	(69,794)
Residual equity transfer to City - park funding	(50,000)	(50,000)	(50,000)	-
Residual equity transfer to City - donation	<u>(21,073)</u>	<u>-</u>	<u>-</u>	<u>(21,073)</u>
Net assets, end of year	<u>\$5,530,039</u>	<u>\$5,690,023</u>	<u>\$5,596,023</u>	<u>\$(65,984)</u>

2. DEPOSITS

The Utility's deposits in banks at December 31, 2004 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3.

3. PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Land and land rights	\$ 74,175	\$ 73,171
Generating plant	2,420,512	2,414,977
Transmission plant	1,063,613	1,063,731
Transmission plant - Corn Belt	942,481	851,986
Distribution plant	1,700,103	1,668,702
Communication plant	2,107,584	2,078,304
Other equipment	<u>259,325</u>	<u>213,864</u>
Plant in service	<u>\$8,567,793</u>	<u>\$8,364,735</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

3. PLANT AND DEPRECIATION PROCEDURES - (Continued)

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

4. CONTINGENCY, DEPRECIATION AND EXTENSION FUND

A contingency, depreciation and extension fund was created to set aside funds to cover unanticipated costs or needs of expansion that might arise. (See Note 13.)

These funds were deposited as follows as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Certificates of deposits	\$400,000	\$550,000
Less: Current portion	<u>-</u>	<u>550,000</u>
Other assets	<u>\$400,000</u>	<u>\$ -</u>

The certificate of deposit at December 31, 2004 bears interest at 3.50% and matures in June, 2006.

5. COMMON TRANSMISSION SYSTEM - CAPITAL IMPROVEMENT FUND

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission system. (See Note 13.)

6. GENERATION RESERVE FUND

A generation reserve fund was created to set aside funds for maintenance or replacement of the present generation system or to purchase future generation. (See Note 13.)

These funds were deposited as follows as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Certificates of deposit	\$1,100,643	\$1,101,738
Less: Current portion	<u>900,643</u>	<u>1,101,738</u>
Other assets	<u>\$ 200,000</u>	<u>\$ -</u>

The certificates of deposit at December 31, 2004 bear interest at 2.52% to 3.70% and mature from August, 2005 to July, 2006.

7. DISTRIBUTION REPLACEMENT RESERVE

A distribution replacement reserve was created to set aside funds for future replacement of the distribution system. (See Note 13.)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

7. DISTRIBUTION REPLACEMENT RESERVE - (Continued)

These funds were deposited as follows as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Certificates of deposit	\$707,596	\$702,898
Less: Current portion	<u>707,596</u>	<u>500,874</u>
Other assets	<u>\$ -</u>	<u>\$202,024</u>

The certificates of deposit at December 31, 2004 bear interest at 2.05% to 2.73% and mature from April, 2005 to August, 2005.

8. BOND RESERVE FUND

A bond reserve fund was created to set aside funds to make payments of principal and interest on the electric revenue bonds if there are not sufficient funds available in the bond retirement sinking fund. (See Note 13.)

These funds were deposited as follows as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Certificates of deposits	\$273,500	\$273,500
Less: Current portion	<u>273,500</u>	<u>-</u>
Other assets	<u>\$ -</u>	<u>\$273,500</u>

The certificate of deposit at December 31, 2004 bears interest at 2.30% and matures July, 2005.

9. COMMUNICATION DISTRIBUTION REPLACEMENT RESERVE

This fund was created to set aside funds for the future replacement of the communication distribution system. (See Note 13.)

These funds were deposited as follows as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Certificate of deposit	\$ -	\$300,000
Less: Current portion	<u>-</u>	<u>300,000</u>
Other assets	<u>\$ -</u>	<u>\$ -</u>

10. NOTE RECEIVABLE

On January 1, 2004 the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. The note requires monthly payments of \$1,288 including interest of 5.00% through February 2024.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

11. CASH AND CASH EQUIVALENTS

These funds were deposited as follows as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ <u>97,668</u>	\$ <u>-</u>

12. ELECTRIC REVENUE BONDS

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 175,000	\$ 93,723	\$ 268,723
2006	185,000	85,847	270,847
2007	195,000	77,338	272,338
2008	205,000	68,367	273,367
2009	205,000	58,938	263,938
2010	205,000	49,302	254,302
2011	205,000	39,668	244,668
2012	205,000	29,827	234,827
2013	205,000	19,988	224,988
2014	<u>205,000</u>	<u>9,994</u>	<u>214,994</u>
	1,990,000	532,992	2,522,992
Less: Current maturities	(175,000)	-	(175,000)
Unamortized discount	<u>(16,609)</u>	<u>-</u>	<u>(16,609)</u>
	<u>\$1,798,391</u>	<u>\$532,992</u>	<u>\$2,331,383</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which there shall be set apart and paid at the time of delivery of the obligations the sum of \$273,500.
- D. Additional monthly transfers of \$2,000 to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated. This account is restricted for the purpose of paying for necessary repairs, improvements, and extension to the system.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

13. RESTRICTED AND DESIGNATED NET ASSETS

Net assets have been restricted and designated in amounts necessary to fund the following specific reserves described in Notes 4, 5, 6, 7, 8, and 9:

	<u>2004</u>	<u>2003</u>
Restricted:		
Bond retirement sinking fund	\$ 22,394	\$ 22,179
Bond reserve fund	273,500	273,500
Bond improvement fund	<u>100,000</u>	<u>100,000</u>
	<u>\$ 395,894</u>	<u>\$ 395,679</u>
Unrestricted:		
Designated:		
Distribution replacement reserve	\$ 707,596	\$ 702,898
Contingency, depreciation, and extension	400,000	550,000
Generation reserve fund	1,100,643	1,101,738
Communication distribution replacement reserve	-	300,000
Common transmission system - capital improvement fund	<u>225,690</u>	<u>273,969</u>
	2,433,929	2,928,605
Undesignated	<u>622,786</u>	<u>447,708</u>
	<u>\$3,056,715</u>	<u>\$3,376,313</u>

14. PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2004, 2003, and 2002 were \$8,970, \$9,512, and \$10,274 equal to the required contributions for each year.

15. RISK MANAGEMENT

Laurens Municipal Light and Power Plant is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

16. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

17. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Light and Power Plant and the Laurens Municipal Broadband Communications Utility have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$130,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and the payments are due June 1, of each year. Effective January 1, 2005 the agreement amount was amended to \$145,000.

18. ACCOUNTING CHANGE

For the year ended December 31, 2004 the Utility implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these statements had no effect on the beginning balances of the Utility.

19. SUBSEQUENT EVENT

On March 24, 2005 the Utility loaned \$400,000 at five percent interest to Laurens Industrial Foundation, Inc. Interest only payments are due for the first five years with the principal balance due March 24, 2010.

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Hungelmann, Putzier & Co,

April 21, 2005

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2003 Total</u>
<u>OPERATING REVENUES</u>				
Sales of electrical energy:				
Residential	\$ 459,201	\$ -	\$ 459,201	\$ 381,037
Commercial	600,410	-	600,410	473,052
Resale	450,841	-	450,841	427,322
Marathon	94,086	-	94,086	-
Forfeited discounts	3,037	-	3,037	3,060
Sales of steam	2,221	-	2,221	6,020
Miscellaneous	676	-	676	3,791
Joint use agreement	-	130,000	130,000	130,000
Total operating revenue	<u>1,610,472</u>	<u>130,000</u>	<u>1,740,472</u>	<u>1,424,282</u>
<u>OPERATING EXPENSES</u>				
Purchased energy	<u>671,621</u>	<u>-</u>	<u>671,621</u>	<u>563,538</u>
Generating plant - local:				
Operating supervision and labor	21,658	-	21,658	24,830
Fuel	1,631	-	1,631	6,696
Operating supplies	830	-	830	1,814
Maintenance and repairs	10,450	-	10,450	9,905
Buildings and grounds				
maintenance and repairs	964	-	964	9,957
Depreciation	<u>3,930</u>	<u>-</u>	<u>3,930</u>	<u>3,930</u>
Total local generating plant expenses	<u>39,463</u>	<u>-</u>	<u>39,463</u>	<u>57,132</u>
Generating plant - Neal 4:				
Fuel	204,678	-	204,678	157,477
Maintenance and repairs	29,271	-	29,271	27,295
Operating	85,854	-	85,854	154,981
Property taxes	22,263	-	22,263	24,692
Depreciation	62,470	-	62,470	61,138
Other	<u>7,394</u>	<u>-</u>	<u>7,394</u>	<u>9,080</u>
Total Neal 4 generating plant expenses	<u>411,930</u>	<u>-</u>	<u>411,930</u>	<u>434,663</u>
Distribution system - electric:				
Line and station supervision and labor	10,202	-	10,202	11,483
Line and station supplies and expense	1,093	-	1,093	1,577
Street lighting and signals				
labor and expense	32	-	32	132
Customers' installation expense	15,691	-	15,691	19,081
Miscellaneous distribution expense	7,977	-	7,977	5,897
Maintenance of lines	18,276	-	18,276	13,441
Maintenance of line transformers	6,069	-	6,069	6,976
Maintenance of street lighting				
and signal systems	3,712	-	3,712	2,088
Maintenance of meters	2,435	-	2,435	921
Depreciation	<u>49,566</u>	<u>-</u>	<u>49,566</u>	<u>48,902</u>
Total electric distribution expense	<u>115,053</u>	<u>-</u>	<u>115,053</u>	<u>110,498</u>

(Continue)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2003 Total</u>
<u>OPERATING EXPENSES - (Continued)</u>				
Distribution system - communications:				
Line and station supervision labor	\$ -	\$ 3,652	\$ 3,652	\$ 5,346
Operating supplies and expense	-	3,965	3,965	2,211
Customers' installation expense	-	9,590	9,590	10,476
Line maintenance	-	2,490	2,490	3,809
Nodes, amps, and peds maintenance	-	11,579	11,579	6,073
Voice port maintenance	-	2,895	2,895	2,647
Property taxes	-	16,062	16,062	18,025
Depreciation expense	-	184,157	184,157	181,419
Total communications				
distribution expense	-	234,390	234,390	230,006
Transmission system:				
Amortization	4,844	-	4,844	4,844
Depreciation	52,466	-	52,466	50,706
Capacity assignment costs	25,112	-	25,112	24,838
Other	26,378	-	26,378	22,809
Total transmission system expenses	108,800	-	108,800	103,197
Customers' accounts expense:				
Bad debt expense	575	-	575	4,216
Meter reading labor	4,987	-	4,987	5,160
Total customer accounts expense	5,562	-	5,562	9,376
Administrative and general expense:				
Administrative and general salaries	63,376	-	63,376	68,197
Conservation expense	7,575	-	7,575	2,683
Office supplies and postage	10,908	-	10,908	7,804
Audits, legal, and consultation services	11,583	-	11,583	13,624
Property insurance	9,844	-	9,844	8,120
Compensation insurance	4,654	-	4,654	6,210
Employees' group insurance	26,392	-	26,392	30,781
Trustees' fees	900	-	900	900
Dues and subscriptions	5,781	-	5,781	7,260
Franchise requirements - cash				
payments to City of Laurens	30,000	-	30,000	30,000
Franchise requirement - cost of				
services to City of Laurens	5,683	-	5,683	9,262
Legal publications	2,079	-	2,079	1,896
Advertising and promotion	3,564	-	3,564	3,561
Convention, meeting, and travel expense	1,711	-	1,711	1,406
Depreciation	7,305	-	7,305	8,788
Bank service charges	630	-	630	-
Motor vehicle and work				
equipment expense	8,997	-	8,997	8,455
Miscellaneous	1,039	-	1,039	1,252
Total administrative and				
general expense	202,021	-	202,021	210,199
Total operating expense	1,554,450	234,390	1,788,840	1,718,609
Income (loss) from operations	56,022	(104,390)	(48,368)	(294,327)

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2003 Total</u>
<u>NON-OPERATING REVENUE AND EXPENSE</u>				
Revenues from merchandising			\$ 14,987	\$ 10,532
Costs of merchandising			<u>9,922</u>	<u>6,403</u>
Gross profit			5,065	4,129
Interest earned on investments			93,800	108,216
Amortization of bond issue costs			(2,406)	(2,406)
Interest expense			(103,708)	(111,155)
Deferred patronage allocations			-	2,555
Gain on disposition of assets			<u>1,500</u>	<u>2,121</u>
Non-operating income (loss)			<u>(5,749)</u>	<u>3,460</u>
 Net Loss			 \$ (54,117)	 \$ (290,867)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF MUNICIPAL PLANT
DECEMBER 31, 2004

Schedule I

	Utility Plant				Depreciation Rate	Accumulated Depreciation				
	Balance January 1, 2004	Additions	Transfers	Deletions		Balance January 1, 2004	Expense	Transfers	Retirements	Balance December 31, 2004
ELECTRIC PLANT										
<u>Generating Plant - Local</u>										
Land and land rights	\$ 6,000	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	93,899	-	-	-	3.25	72,329	3,052	-	-	75,381
Fuel holders, producers and accessories	29,273	-	-	-	3.00	11,133	878	-	-	12,011
Generators	305,326	-	-	-	3.00	305,326	-	-	-	305,326
Accessory equipment	76,083	-	-	-	3.00	76,083	-	-	-	76,083
	<u>510,581</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>464,871</u>	<u>3,930</u>	<u>-</u>	<u>-</u>	<u>468,801</u>
<u>Generating Plant - Neal 4</u>										
Land and land rights	3,124	-	-	-	0.00	-	-	-	-	-
Structures and improvements	253,020	38	-	1	3.25	198,938	8,224	-	1	207,161
Boiler plant equipment	1,147,186	6,911	-	-	3.25	828,262	37,396	-	-	865,658
Generators	276,030	-	-	-	3.00	178,785	8,281	-	-	187,066
Accessory equipment	198,964	263	-	132	3.00	141,287	5,971	-	132	147,126
Miscellaneous power plant equipment	16,833	-	-	258	3.25	11,707	543	-	258	11,992
Other equipment	18,363	769	-	2,055	3.25	17,077	2,055	-	2,055	-
	<u>1,913,520</u>	<u>7,981</u>	<u>-</u>	<u>2,446</u>		<u>1,358,979</u>	<u>62,470</u>	<u>-</u>	<u>2,446</u>	<u>1,419,003</u>
<u>Transmission Plant - Local</u>										
Land and land rights	2,759	-	-	-	0.00	-	-	-	-	-
Station equipment	914,690	-	-	-	2.60	375,643	23,782	-	-	399,425
	<u>917,449</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>375,643</u>	<u>23,782</u>	<u>-</u>	<u>-</u>	<u>399,425</u>
<u>Transmission Plant - Other</u>										
Land and land rights	5,634	-	-	-	0.00	-	-	-	-	-
Structures and improvements	3,938	-	-	-	3.25	2,606	128	-	-	2,734
Station equipment	70,999	-	-	118	2.60	37,144	1,844	-	118	38,870
Towers and fixtures	57,813	-	-	-	2.75	36,159	1,590	-	-	37,749
Conductors and devices	16,291	-	-	-	2.75	10,190	448	-	-	10,638
	<u>154,675</u>	<u>-</u>	<u>-</u>	<u>118</u>		<u>86,099</u>	<u>4,010</u>	<u>-</u>	<u>118</u>	<u>89,991</u>
<u>Transmission Plant - Corn Belt</u>										
Land and land rights	54,599	1,004	-	-	0.00	-	-	-	-	-
Structures and improvements	690,162	52,174	-	3,220	2.75	336,830	19,653	-	4,612	351,871
Original local line	39,008	-	-	-	2.75	36,451	1,073	-	-	37,524
West sub tie line	122,816	-	-	-	2.75	90,433	3,377	-	-	93,810
Marathon substation	-	41,541	-	-	2.75	-	571	-	-	571
	<u>906,585</u>	<u>94,719</u>	<u>-</u>	<u>3,220</u>		<u>463,714</u>	<u>24,674</u>	<u>-</u>	<u>4,612</u>	<u>483,776</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF MUNICIPAL PLANT
DECEMBER 31, 2004

Schedule I
(Continued)

	Utility Plant				Depreciation Rate	Accumulated Depreciation				
	Balance January 1, 2004	Additions	Transfers	Deletions		Balance January 1, 2004	Expense	Transfers	Retirements	Balance December 31, 2004
<u>ELECTRIC PLANT - (Continued)</u>										
<u>Distribution System</u>										
Land and land rights	\$ 1,055	\$ -	\$ -	\$ -	\$ 1,055	0.00%	\$ -	\$ -	\$ -	\$ -
Structures and improvements	11,525	-	-	-	11,525	2.50	8,963	288	-	9,251
Station equipment	37,085	-	-	-	37,085	2.90	35,325	1,075	-	36,400
Poles, towers and equipment	6,843	-	-	-	6,843	3.25	5,856	222	-	6,078
Overhead conductors and devices	-	-	-	-	-	2.50	-	-	-	-
Underground conduits	2,395	-	-	-	2,395	2.60	2,114	62	-	2,176
Underground conductors and devices	6,888	-	-	-	6,888	2.60	5,230	179	-	5,409
Line transformers	395,999	9,799	-	-	405,798	2.80	126,507	11,225	-	137,732
Services	15,314	-	-	-	15,314	3.30	11,964	505	-	12,469
Meters	90,471	7,765	-	-	98,236	3.10	52,204	2,925	-	55,129
Installation on customers premises	2,674	-	-	-	2,674	4.00	1,707	107	-	1,814
Street lighting and signal system	85,610	-	-	-	85,610	4.00	73,276	3,424	-	76,700
Underground primary systems	650,990	22,940	-	7,577	666,353	2.90	111,822	19,101	7,577	123,346
Underground secondary systems	157,561	-	-	1,526	156,035	2.90	98,008	4,547	1,526	101,029
Underground customer service	203,646	-	-	-	203,646	2.90	125,557	5,906	-	131,463
Fire siren	212	-	-	-	212	4.00	212	-	-	212
Special services for customers	1,489	-	-	-	1,489	4.00	1,489	-	-	1,489
	<u>1,669,757</u>	<u>40,504</u>	<u>-</u>	<u>9,103</u>	<u>1,701,158</u>		<u>660,234</u>	<u>49,566</u>	<u>9,103</u>	<u>700,697</u>
<u>Other Equipment</u>										
Structures and improvements	17,312	14,169	-	-	31,481	2.5-5.0	8,887	634	-	9,521
Office furniture and fixtures	28,107	665	-	-	28,772	6.7-20.0	20,383	1,500	-	21,883
Transportation equipment	29,360	-	-	-	29,360	10.0-14.3	29,360	-	-	29,360
Stores equipment	497	-	-	-	497	0.00	497	-	-	497
Shop equipment	17,207	737	-	-	17,944	3.3-20.0	17,207	49	-	17,256
Laboratory equipment	16,238	-	-	-	16,238	5.0-10.0	12,473	608	-	13,081
Work equipment	82,261	36,039	-	6,149	112,151	5.0-20.0	74,561	3,177	6,149	71,589
Communication equipment	21,593	-	-	-	21,593	5.0-10.0	16,401	1,338	-	17,739
Miscellaneous equipment	1,289	-	-	-	1,289	13.0	1,289	-	-	1,289
	<u>213,864</u>	<u>51,610</u>	<u>-</u>	<u>6,149</u>	<u>259,325</u>		<u>181,058</u>	<u>7,306</u>	<u>6,149</u>	<u>182,215</u>
<u>Communication Distribution System</u>										
Conduit	64,486	-	-	-	64,486	5.00	15,196	3,224	-	18,420
Fiber and cable	631,783	-	-	-	631,783	5.00	156,202	31,589	-	187,791
Power supplies	292,933	-	-	-	292,933	14.29	201,519	41,860	-	243,379
Nodes	109,170	-	-	-	109,170	10.00	44,935	10,917	-	55,852
Amps	239,958	-	-	-	239,958	10.00	114,287	23,996	-	138,283
P pedestals	70,160	-	-	-	70,160	10.00	34,689	7,016	-	41,705
Voice ports	562,492	29,280	-	-	591,772	10.00	200,650	57,713	-	258,363
System passives	49,512	-	-	-	49,512	10.00	24,445	4,951	-	29,396
Head end building	57,810	-	-	-	57,810	5.00	14,344	2,891	-	17,235
	<u>2,078,304</u>	<u>29,280</u>	<u>-</u>	<u>-</u>	<u>2,107,584</u>		<u>806,267</u>	<u>184,157</u>	<u>-</u>	<u>990,424</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF MUNICIPAL PLANT
DECEMBER 31, 2004

Schedule 1
(Continued)

	<u>Utility Plant</u>				<u>Depreciation</u> <u>Rate</u>	<u>Accumulated Depreciation</u>				
	<u>Balance</u> <u>January 1,</u> <u>2004</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>		<u>Balance</u> <u>January 1,</u> <u>2004</u>	<u>Expense</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2004</u>
<u>ELECTRIC PLANT</u> (Continued)										
Total electric plant in service	\$8,364,735	\$ 224,094	\$ -	\$ 21,036		\$4,396,865	\$ 359,895	\$ -	\$ 22,428	\$4,734,332
Construction in progress	50,589	166,049	-	-		11	-	-	733	(722)
Total utility plant	\$8,415,324	\$ 390,143	\$ -	\$ 21,036		\$4,396,876	\$ 359,895	\$ -	\$ 23,161	\$4,733,610

LAURENS MUNICIPAL LIGHT AND POWER PLANT
COMMENTS ON STATEMENT OF NET ASSETS
DECEMBER 31, 2004

<u>UTILITY PLANT</u>	Cost	\$8,784,431	
	Accumulated Depreciation	<u>4,733,610</u>	<u>\$4,050,821</u>

Details of the utility plant are shown in the preceding schedule.

<u>PLANT ACQUISITION COSTS</u>	<u>\$ 35,360</u>
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The cost of acquiring the Common Transmission System is being amortized over the remaining useful life of the transmission system.

<u>NOTES RECEIVABLE – NONCURRENT PORTION</u>	<u>\$ 183,653</u>
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This balance consists of the noncurrent portion of a note receivable from the city of Marathon. See Note 10 for details.

<u>COMMON TRANSMISSION SYSTEM - CAPITAL IMPROVEMENT FUND</u>	<u>\$ 225,690</u>
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This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission system.

<u>GENERATION RESERVE FUND</u>	<u>\$ 200,000</u>
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This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa Certificate of deposit	7-01-04	7-01-06	3.20%	<u>\$200,000</u>	<u>\$200,000</u>

<u>CONTINGENCY, DEPRECIATION, AND EXTENSION FUND</u>	<u>\$ 400,000</u>
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This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa Certificate of deposit	6-12-04	6-12-06	3.50%	<u>\$400,000</u>	<u>\$400,000</u>

<u>BOND ISSUANCE COSTS</u>	<u>\$ 23,860</u>
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Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight line method over the term of the bonds.

<u>BOND IMPROVEMENT FUND</u>	<u>\$ 100,000</u>
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This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Laurens State Bank, Laurens, Iowa Super now account	1.25%	<u>\$100,000</u>

DEFERRED PATRONAGE REFUND RECEIVABLE

\$ 22,296

The following is a summary of the deferred patronage due from NIMECA:

<u>Year</u>	<u>Amount</u>
1992	\$ 496
1993	1,492
1994	1,511
1995	1,758
1996	2,776
1997	2,817
1998	3,048
1999	2,032
2000	1,863
2001	1,948
2002	2,555
	<u>\$ 22,296</u>

CASH AND CASH EQUIVALENTS

\$ 97,668

This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Demand deposit NOW accounts:		
Laurens State Bank - General fund account	1.00%	\$ (726)
- Super now account	1.25%	98,364
Petty cash		30
		<u>\$97,668</u>

NOTES RECEIVABLE - CURRENT PORTION

\$ 6,104

This balance consists of the current portion of a note receivable from the city of Marathon. See Note 10 for details.

GENERATION RESERVE FUND

\$ 900,643

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificates of deposit	8-16-04	8-16-05	2.52%	\$ 200,000	\$ 200,000
	10-13-04	10-13-05	2.75%	200,000	200,000
	10-15-04	10-15-05	2.75%	400,000	400,000
First Federal Savings Bank, Laurens, Iowa					
Certificate of deposit	10-1-04	10-4-05	2.58%	100,643	100,643
				<u>\$ 900,643</u>	<u>\$ 900,643</u>

DISTRIBUTION REPLACEMENT RESERVE\$ 707,596

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificates of deposit	4-20-04	4-20-05	2.05%	\$400,000	\$400,000
	7-01-04	7-01-05	2.70%	100,000	100,000
First Federal Savings Bank, Laurens, Iowa					
Certificate of deposit	8-18-03	8-18-05	2.73%	<u>207,596</u>	<u>207,596</u>
				<u>\$707,596</u>	<u>\$707,596</u>

BOND RESERVE FUND\$ 273,500

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificate of deposit	7-20-03	7-20-05	2.30%	<u>\$273,500</u>	<u>\$273,500</u>

BOND RETIREMENT SINKING FUND\$ 22,394

This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Laurens State Bank, Laurens, Iowa		
General fund account	1.25%	<u>\$22,394</u>

JOINT USE CONTRACT RECEIVABLE\$ 130,000

This balance consists of the amount due from Laurens Municipal Broadband Communications Utility for rent of the distribution system.

ACCOUNTS RECEIVABLE\$ 227,767

This balance consists of the following:

Accounts receivable - merchandise	\$ 1,991
Accounts receivable - energy:	
November 15, 2004 - December 15, 2004 and past due	152,353
December 15, 2004 - December 31, 2004	60,376
Resale - Marathon	10,328
Accounts receivable - other	<u>11,119</u>
	236,167
Less: Reserve for uncollectible accounts	<u>8,400</u>
	<u>\$227,767</u>

INVENTORIES\$ 68,299

This inventory of material and supplies is based on a physical count taken as of December 31, 2004 and consists of the following:

Material and supplies - Laurens	\$35,023
Generating supplies - Laurens	5,627
Share of coal and oil - Neal 4	<u>27,649</u>
	<u>\$68,299</u>

PREPAID EXPENSES\$ 28,540

This balance consists of the following:

Prepaid insurance	\$ 4,450
Prepaid operations for Neal 4 generating plant	<u>24,090</u>
	<u>\$28,540</u>

The following is a summary of the local insurance coverage:

<u>Kind</u>	<u>Coverage</u>	<u>Amount</u>
Comprehensive general liability	General Aggregate	\$2,000,000
	Each Occurrence	\$1,000,000
	Fire Damage	\$100,000
	Medical Expense	\$5,000
Employee Benefit		\$100,000
Automobile	Liability	\$1,000,000
	Uninsured motorist	\$500,000
	Underinsured motorist	\$500,000
	Medical payments	\$5,000
	Comprehensive	Actual cash value
	Collision	Actual cash value
	(94 Chevrolet Pickup, 91 Chevrolet Pickup)	Less \$100 deductible
	(67 Ford Truck, 73 Chevrolet Truck)	Less \$1,000 deductible
Blanket Position Bond	Employee dishonesty	\$150,000 each
Fire and extended coverage	Buildings & contents - Generating	\$1,193,965
	Fuel Oil Tanks & Contents	\$26,569
	East and West substations and contents, switchgear and transformers	\$2,288,024
	Warehouse and contents	\$116,732
	Garage and contents	\$133,754
	Cable television tower	\$156,627
	Headend building and contents	\$593,605
	Satellite dishes	\$44,922
	Power supplies, nodes, amplifiers	\$248,960
Worker's Compensation		\$500,000
Umbrella Liability		\$2,000,000
		\$10,000 retained
Errors and Omissions		\$1,000,000
		\$2,000 deductible
Inland Marine		
(\$250 deductible)	'70 John Deere Tractor	\$1,400
	Electronic Data Processing Equipment	\$7,297
	Electronic Data Processing Data & Media	\$25,300

This schedule is presented for information purposes only and no opinion is expressed as to the adequacy of coverage.

ACCRUED INTEREST RECEIVABLE\$ 26,771

This account represents interest earned but not received on investments at December 31, 2004.

DEFERRED DEBITS\$ 6,167

This account consists of the remaining balance of a three year rate study.

ELECTRIC REVENUE BONDS\$1,798,391

In July 1999 the Utility issued electric revenue bonds to finance the construction of a communications system. The details are as follows:

Total bond proceeds	\$2,855,000
Less: Unamortized discount	(16,609)
Current maturities	(175,000)
Previous payments	<u>(865,000)</u>
Total long-term debt	<u>\$1,798,391</u>

ACCOUNTS PAYABLE\$ 158,159

This balance consists of the following:

Western Area Power Administration -	
December 2004 power bill	\$ 23,178
NIMECA - December 2004 power bill	30,865
Neal 4 Coal Purchase	13,067
City of Laurens - utility billings and park funding	56,133
Ahlers Law Firm - professional fees	1,309
KG Telecom Services - fiber splicing project	12,009
WESCO - transformer and supplies	3,873
Mid American Energy - capacity assignment costs	16,458
Various, each less than \$1,000	<u>1,267</u>
	<u>\$158,159</u>

CUSTOMER DEPOSITS\$ 12,768

Deposits are required of all new customers. These are refunded after one year of paying their bills when due.

OTHER CURRENT AND ACCRUED LIABILITIES\$ 62,772

This balance consists of the following items:

Accrued property taxes payable	\$37,500
Accrued vacations, payroll, and benefits	11,623
Payroll taxes withheld and accrued	1,985
Sales excise and use tax payable	3,854
Accrued interest payable	<u>7,810</u>
	<u>\$62,772</u>

NET ASSETS\$5,530,039

Following is a summary of the changes in this account during 2004:

Balance, January, 2004	\$5,655,229
Change in net assets	(54,117)
Residual equity transfer to city - park funding	(50,000)
Residual equity transfer to city - donation	<u>(21,073)</u>
Balance, December 31, 2004	<u>\$5,530,039</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the financial statements of Laurens Municipal Light and Power Plant, as of and for the year ended December 31, 2004, and have issued our report thereon dated April 21, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Laurens Municipal Light and Power Plant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laurens Municipal Light and Power Plant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Laurens Municipal Light and Power Plant's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-04 and I-C-04 are material weaknesses. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04, and I-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Light and Power Plant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Utility during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hungelman, Putzier & Co.

April 21, 2005

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. We now have three individuals who will be rotating the duties of opening mail, bank deposits, and the recording of receipts and disbursements. We also require two signatures on all check disbursements.

Conclusion - Response accepted.

I-B-04 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the Utility's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Utility's computer based systems were noted:

The Utility does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- ensuring that only software licensed to the Utility is installed on computers,
- requiring user profiles to help limit access to programs to those who have a legitimate need,

Also, the Utility does not have a written disaster recovery plan.

Recommendation - The Utility should develop written policies addressing the above items in order to improve the Utility's control over computer based systems and a written disaster recovery plan should be developed.

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2004

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-B-04 Electronic Data Processing Systems - (Continued)

Response - The Utility will work to develop written policies addressing disaster recovery, password privacy, confidentiality, and personal use of computer equipment and software.

Conclusion - Response accepted.

I-C-04 Reconciliation of Utility Billings, Collections, and Delinquencies - Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile Utility billings, collections, and delinquencies for each billing period.

Response - The Utility will develop procedures to reconcile the Utility's billing, collections, and delinquencies for each billing period.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2004.

II-B-04 Budget - Utility expenses during the year ended December 31, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.

II-E-04 Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2004

Part II: Other Findings Related to Statutory Reporting: (Continued)

- II-F-04 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
- II-H-04 Revenue Bonds - The Utility has established the sinking and reserve accounts required by the electric revenue bond resolution.
- II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.